

**MHC Plantations Bhd (4060-V)**  
**Condensed Consolidated Statement of Comprehensive Income (Unaudited)**  
**For The Third Quarter Ended 30 September 2017**

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.9.2017 RM' 000	30.9.2016 RM'000	30.9.2017 RM' 000	30.9.2016 RM' 000
Revenue	96,682	101,603	283,418	233,901
Cost of sales	(80,732)	(80,467)	(233,956)	(199,011)
Gross profit	15,950	21,136	49,462	34,890
Other income	3,422	2,191	9,313	7,077
Administrative expenses	(2,902)	(2,916)	(8,575)	(9,003)
Other operating expenses	(1,474)	(1,560)	(3,799)	(3,682)
Operating profit	14,996	18,851	46,401	29,282
Finance costs	(1,944)	(2,342)	(5,758)	(7,021)
Profit/(Loss) before tax	13,052	16,509	40,643	22,261
Income tax expense	(3,168)	(4,256)	(9,882)	(5,692)
Profit/(Loss) after tax	9,884	12,253	30,761	16,569
Other comprehensive income				
Exchange difference on translation of foreign operations	8	251	105	3
Total comprehensive income for the period	9,892	12,504	30,866	16,572
Profit/(Loss) attributable to:				
Owners of the parent	5,083	5,800	14,237	7,508
Non-controlling interests	4,801	6,453	16,524	9,061
	9,884	12,253	30,761	16,569
Total comprehensive income attributable to:				
Owners of the parent	5,091	6,051	14,292	7,511
Non-controlling interests	4,801	6,453	16,574	9,061
	9,892	12,504	30,866	16,572
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share in sen	2.59	2.95	7.24	3.82

**The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.**

**MHC Plantations Bhd (4060-V)**  
(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position**  
**as at 30 September 2017**

	<b>As at 30.9.2017 (Unaudited) RM'000</b>	<b>As at 31.12.2016 (Audited) RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	438,521	441,655
Investment properties	48,062	48,062
Biological assets	465,226	464,222
Land use rights	13,049	13,184
Deferred tax assets	2,968	3,204
Investment in securities	528	528
Trade and other receivables	154,499	149,501
Goodwill on consolidation	109,017	109,017
	<u>1,231,870</u>	<u>1,229,373</u>
<b>Current assets</b>		
Inventories	27,515	28,018
Trade and other receivables	22,957	26,589
Tax recoverable	1,209	1,457
Short term investments	16,369	13,625
Deposits placed with licensed banks	11,242	11,070
Cash and bank balances	20,407	17,831
	<u>99,699</u>	<u>98,590</u>
<b>TOTAL ASSETS</b>	<u>1,331,569</u>	<u>1,327,963</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	196,544	196,544
Reserves	232,023	220,682
	<u>428,567</u>	<u>417,226</u>
<b>Non-controlling interests</b>	537,244	524,322
<b>Total equity</b>	<u>965,811</u>	<u>941,548</u>

**MHC Plantations Bhd (4060-V)**  
(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position  
as at 30 September 2017 (Contd.)**

	<b>As at 30.9.2017 (Unaudited) RM'000</b>	<b>As at 31.12.2016 (Audited) RM'000</b>
<b>EQUITY AND LIABILITIES (CONTD.)</b>		
<b>Non-current liabilities</b>		
Lease rental payable	267	267
Hire purchase payables	414	784
Borrowings	70,892	86,747
Deferred tax liabilities	170,394	167,971
	<u>241,967</u>	<u>255,769</u>
<b>Current liabilities</b>		
Payables	32,112	40,860
Hire purchase payables	699	870
Borrowings	86,975	86,888
Taxation	4,005	2,028
	<u>123,791</u>	<u>130,646</u>
<b>Total liabilities</b>	<u>365,758</u>	<u>386,415</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,331,569</u>	<u>1,327,963</u>
<b>Net Tangible Asset Per Share (RM)</b>	<u>1.63</u>	<u>1.57</u>
<b>Net Asset Per Share (RM)</b>	<u>2.18</u>	<u>2.12</u>

**The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.**

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)  
For The Third Quarter Ended 30 September 2017

	Equity attributable to owners of the Company										Non-controlling Interests	Total Equity
	Non-distributable					Distributable						
	Share Capital RM'000	Capital Reserve RM'000	Other Reserve RM'000	Revaluation Reserve RM'000	Fair value adjustment reserve RM'000	Foreign currency translation reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total	RM'000		
Opening balance at 1 Jan 2016	196,544	5,737	(1,946)	789	79	88	8	209,644	410,943	515,567	926,510	
Total comprehensive income for the period	-	-	-	-	-	3	-	7,508	7,511	9,061	16,572	
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3,252)	(3,252)	
Fair value adjustment	-	-	-	-	58	-	-	-	58	-	58	
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(1,227)	(1,227)	(98)	(1,325)	
Closing balance at 30 September 2016	196,544	5,737	(1,946)	789	137	91	8	212,977	414,337	521,278	935,615	
Opening balance at 1 Jan 2017	196,544	5,737	(1,946)	789	138	153	8	215,800	417,223	524,322	941,545	
Total comprehensive income for the period	-	-	-	-	-	55	-	14,237	14,292	16,574	30,866	
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	
Closing balance at 30 September 2017	196,544	5,737	(1,946)	789	138	208	8	227,089	428,567	537,244	965,811	

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MHC Plantations Bhd (4060-V)  
Condensed Consolidated Statement of Cash Flows (Unaudited)  
For The Third Quarter Ended 30 September 2017

	9 months ended	
	30.9.2017 (Unaudited) RM' 000	30.9.2016 (Unaudited) RM' 000
<b>Operating activities</b>		
Profit before taxation	40,643	22,261
Adjustments for:		
Depreciation and amortisation	11,821	11,316
Interest expense	5,758	7,021
(Gain)/Loss on disposal of property, plant and equipment	(653)	(86)
Property, plant and equipment written off	-	39
Unrealised loss/(gain) on foreign exchange	(72)	37
Impairment loss on investment in securities	-	58
Interest income	(6,275)	(5,454)
Dividend income	(1)	(1)
Total adjustments	10,578	12,930
<b>Operating cash flows before changes in working capital</b>	51,221	35,191
Changes in working capital:		
Inventories	504	2,106
Receivables	4,182	(8,597)
Payables	(8,583)	4,144
Total changes in working capital	(3,897)	(2,347)
Cash generated from operations	47,324	32,844
Interest received	601	501
Interest paid	(5,758)	(7,021)
Tax paid	(5,000)	(4,102)
<b>Net cash flows from/(used in) operating activities</b>	37,167	22,222
<b>Investing activities</b>		
Dividend received	1	1
Proceeds from disposal of property, plant and equipment	1,102	12
Additions to biological assets	(1,004)	(1,607)
Net redemption/(investment in) of short term investments	(2,749)	841
Acquisition of non-controlling interest	-	(1,325)
Purchase of property, plant and equipment	(8,852)	(15,086)
<b>Net cash flows (used in)/from investing activities</b>	(11,502)	(17,164)
<b>Financing activities</b>		
Drawdown of revolving credit	23,800	5,500
Drawdown of term loan	1,500	7,000
Repayment of revolving credit	(25,000)	-
Repayment of term loan	(16,067)	(14,047)
Repayment of hire purchase obligations	(691)	(940)
Dividends paid to shareholders	(2,948)	(2,948)
Dividends paid to non-controlling shareholders	(3,652)	(3,252)
<b>Net cash flows (used in)/from financing activities</b>	(23,058)	(8,687)
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,607	(3,629)
Effect on exchange rate changes on cash and cash equivalents	137	(31)
<b>Cash and cash equivalents as at 1 January</b>	26,265	28,411
<b>Cash and cash equivalents as at 30 September</b>	29,009	24,751
<b>Cash and cash equivalents :</b>		
Deposits placed with licensed banks	11,242	11,795
Cash and bank balances	20,407	15,566
	31,649	27,361
Less : Fixed deposits pledged	(2,640)	(2,610)
	29,009	24,751

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

## Notes to the condensed consolidated interim financial statements

### 1. Basis of preparation

The condensed consolidated interim financial statements for the financial period ended 30 September 2017 have been prepared in compliance with Financial Reporting Standards (“FRS”) 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

The accounting policies used in the preparation of condensed consolidated interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

### 2. Changes in accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following new/revised FRSs and amendments to FRSs:

Effective for financial periods beginning on or after 1 January 2017:

Amendments to FRS 107: Disclosure Initiative

Amendments to FRS 112: Recognition of Deferred Tax for Unrealised Losses

Annual Improvements to FRSs 2014 - 2016 Cycle

- Amendments to FRS 12: Disclosure of Interests in Other Entities

Effective for financial periods beginning on or after 1 January 2018:

FRS 9: Financial Instruments

The adoption of the above new/revised FRSs and Amendments do not have any significant financial impact on the Group.

## 2. Changes in accounting policies (Contd.)

### **Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities') which will be allowed to defer adoption of the new MFRS Framework for one year. On 30 June 2012, MASB has given an option to Transitioning Entities to defer the adoption of the MFRS Framework for another year. Therefore, the MFRS Framework will be applicable to Transitioning Entities with effect from the annual period beginning on 1 January 2014.

In light of the development and the revisions of the project timelines by the IASB, the Board has decided to extend the transitions period for another year, ie. the adoption of the MFRS Framework by all Transitioning Entities with effect from annual periods beginning on or after 1 January 2015.

On 8 September 2015, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

## 3. Auditors' report

The auditor's report on the preceding annual financial statements was not qualified.

## 4. Seasonal and cyclical factors

The business of the Group is cyclical in nature and the third quarter is normally the peak production season.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 September 2017.

6. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Equity and debt securities

There were no issuance, cancellation, resale, repurchase and repayment of equity or debt securities during the financial period ended 30 September 2017 except for the total of 56,155,420 free Warrants 2012/2017 which had been expired on 28 July 2017 and removed from the official list of Bursa Malaysia Securities Berhad on 31 July 2017.

8. Dividend paid

A final single-tier dividend of 1.50% in respect of the financial year ended 31 December 2016 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 (1.50 sen per share) was paid on 13 June 2017.

No interim dividend has been paid during the current quarter ended 30 September 2017.

9. Segment information

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- a. Plantation - Cultivation of oil palm
- b. Oil Mill - Milling and sales of oil palm products
- c. Power Plant - Power Generation and sales of biomass by-products

Information about reportable segments

	Results for 3 months ended 30 September							
	Plantation		Oil Mill		Power Plant		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
External revenue	7,790	6,686	82,377	88,392	6,124	6,186	96,291	101,264
Inter-segment revenue	16,263	20,577	-	-	-	361	16,263	20,938
Segment profit	10,051	13,043	3,029	3,050	1,495	2,144	14,575	18,237



9. Segment information (Contd.)

	<b>3 months ended 30.9.2017 (Unaudited) RM'000</b>	<b>3 months ended 30.9.2016 (Unaudited) RM'000</b>
<b>Segment profit is reconciled to consolidated profit before tax as follows:</b>		
Segment profit	14,575	18,237
Other non-reportable segments	(155)	(675)
Amortisation of group land cost	(1,019)	(1,019)
Elimination of inter-segment profits	(5)	100
Unallocated corporate (expenses)/income	(344)	(134)
Consolidated profit/(loss) before tax	<u>13,052</u>	<u>16,509</u>

	<b>Results for 9 months ended 30 September</b>							
	<b>Plantation</b>		<b>Oil Mill</b>		<b>Power Plant</b>		<b>Total</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
External revenue	20,778	14,281	241,556	201,945	19,966	16,418	282,300	232,644
Inter-segment revenue	50,193	46,775	-	-	-	1,435	50,193	48,210
Segment profit/(loss)	32,939	21,726	5,967	1,986	6,004	2,980	44,910	26,692

	<b>9 months ended 30.9.2017 (Unaudited) RM'000</b>	<b>9 months ended 30.9.2016 (Unaudited) RM'000</b>
<b>Segment profit is reconciled to consolidated profit before tax as follows:</b>		
Segment profit	44,910	26,692
Other non-reportable segments	(258)	(519)
Amortisation of group land cost	(3,057)	(3,166)
Elimination of inter-segment profits	(83)	-
Unallocated corporate expenses	(869)	(746)
Consolidated profit before tax	<u>40,643</u>	<u>22,261</u>

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 September 2017.

11. Contingent Assets and Liabilities

There were no contingent assets and contingent liabilities at the end of this quarter and as at the date of this report.

12. Capital commitments

	RM'000
Capital expenditure:-	
Approved and contracted for	16,718
Approved but not contracted for	<u>5,849</u>
	<u>22,567</u>

13. Subsequent event

There were no material subsequent events to the end of the current quarter.

## Information required by BMSB Listing Requirements

### 1. Review of performance

#### Financial review for current quarter and financial year to date

	Individual Period (3rd Quarter)			Cumulative Period (9 months ended)		
	Current year Quarter 30.9.2017 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30.9.2016 (Unaudited) RM'000	Changes (%)	Current Year To- date 30.9.2017 (Unaudited) RM'000	Preceding Year Corresponding Period 30.9.2016 (Unaudited) RM'000	Changes (%)
Revenue	96,682	101,603	-5%	283,418	233,901	21%
Operating profit	14,996	18,851	-20%	46,401	29,282	58%
Profit before tax	13,052	16,509	-21%	40,643	22,261	83%
Profit after tax	9,884	12,253	-19%	30,761	16,569	86%
Profit attributable to ordinary equity holders of the Parent	5,083	5,800	-12%	14,237	7,508	90%
<b>Operational Statistics</b>						
Production:						
FFB (mt)	44,865	51,317	-13%	124,645	117,960	6%
CPO (mt)	25,532	27,153	-6%	69,602	63,282	10%
PK (mt)	6,673	6,779	-2%	18,312	15,790	16%
Average selling price:						
FFB (RM/mt)	519	494	5%	548	486	13%
CPO (RM/mt)	2,638	2,559	3%	2,813	2,510	12%
PK (RM/mt)	2,195	2,594	-15%	2,445	2,390	2%
Quantity sold:						
CPO (mt)	25,529	27,440	-7%	70,117	65,592	7%
PK (mt)	6,850	7,003	-2%	18,138	15,597	16%
Oil Extraction Rate (%)	19.77	19.98	-1%	19.42	19.65	-1%
Electricity Export(MWh)	16,486	15,715	5%	54,174	44,435	22%

## 1. Review of performance (Cont'd)

### **Current Quarter vs. Previous Year Corresponding Quarter**

The Group recorded a revenue of RM96.68 million and profit before tax of RM13.05 million for the current quarter ended 30 September 2017 as compare to a revenue of RM101.60 million and profit before tax of RM16.51 million in the preceding year quarter ended 30 September 2016. The decrease in revenue and profit before tax is mainly due to:

- a) Decrease in sales volume of CPO and PK by 7% and 2% respectively;
- b) Decrease in FFB production by 13%; and
- c) Higher power plant maintenance cost during the quarter under review as a result of scheduled maintenance that took place in August and September 2017 to ensure the machineries are always in safe and good condition.

Performance of the respective operating business segments for this quarter under review as compared to the previous corresponding quarter is analysed as follows:

- (i) Plantation – The decrease in profit before tax by RM2.99 million (23%) from RM13.04 million to RM10.05 million was mainly due a decrease in FFB production by 13%.
- (ii) Oil Mill – The profit before tax of RM 3.03 million for the current quarter under review is fairly consistent with the profit before tax of RM3.05 million in the preceding year quarter.
- (iii) Power Plant – The decrease in profit before tax by RM0.64 million (30%) from profit before tax of RM2.14 million to a profit before taxation of RM1.50 million was mainly due to a higher power plant maintenance cost during the current quarter as a result of schedule maintenance that took place in August 2017 and September 2017. The 12MW Biomass Power Plant generated and exported 12,600 MWh (2016: 15,715 MWh) whereas the 3.8MW Biogas Power Plant generated and exported 3,886 MWh (2016: Nil) for the current quarter to Sabah Electricity Sdn Bhd (“SESB”).

### **Current Year-to-date vs. Previous Year-to-date**

For this financial period under review, the Group recorded a revenue of RM283.42 million and a profit before tax of RM40.64 million as compared to a revenue of RM233.90 million and profit before tax of RM22.26 million in the previous financial corresponding period. The increase in revenue and profit before tax is mainly due to an increase in:

- a) CPO, PK and FFB prices by 12%, 2% and 13% respectively;
- b) sales volume of CPO, PK and FFB by 7%, 16% and 29% respectively;
- c) FFB production by 6%;
- d) milling margin; and
- d) exporting electricity by 22% and higher selling price of Empty Fruit Bunches (“EFB”) oil by 47%.

1. Review of performance (Cont'd)

**Current Year-to-date vs. Previous Year-to-date (Cont'd)**

Performance of the respective operating business segments for this financial period under review as compared to the previous financial corresponding period is analysed as follows:

- (i) Plantation – The increase in profit before tax by RM11.21 million (52%) from RM21.73 million to RM32.94 million was mainly due to higher FFB price by 10% and an increase in FFB production by 6%.
- (ii) Oil Mill – The increase in profit before tax by RM 3.98 million (> 100%) from RM1.99 million to RM5.97 million was mainly due to higher milling margin in the financial period under review.
- (iii) Power Plant – The increase in profit before tax by RM3.02 million (>100%) from RM2.98 million to RM6.00 million was mainly due to increase in of exporting electricity by 22% and higher EFB oil selling price by 47%. The 12MW Biomass Power Plant generated and exported 43,528 MWh (2016: 44,435 MWh) whereas the 3.8MW Biogas Power Plant generated and exported 10,646 MWh (2016: Nil) for this current period to SESB.

2. Financial review for current quarter compared with immediate preceding quarter

		<b>Current quarter 30.9.2017 (Unaudited) RM'000</b>	<b>Immediate Preceding Quarter 30.6.2017 (Unaudited) RM'000</b>	<b>Changes (%)</b>
Revenue		96,682	96,289	0.4%
Operating profit		14,996	16,081	-7%
Profit before tax		13,052	14,141	-8%
Profit after tax		9,884	11,317	-13%
Profit attributable to ordinary equity holders of the Parent		5,083	4,474	14%
<b>Operational Statistics</b>				
Production:				
FFB	(mt)	44,865	43,335	4%
CPO	(mt)	25,532	24,703	3%
PK	(mt)	6,673	6,497	3%
Average selling price:				
FFB	(RM/mt)	519	520	-0.2%
CPO	(RM/mt)	2,638	2,731	-3%
PK	(RM/mt)	2,195	2,067	6%
Quantity sold:				
CPO	(mt)	25,529	25,316	1%
PK	(mt)	6,850	6,125	12%
Oil Extraction Rate (%)		19.77	19.36	2%
Electricity Export(MWh)		16,486	20,650	-20%

The Group recorded a profit before tax of RM13.05 million in the quarter under review as compared to a profit before tax of RM14.14 million in the immediate preceding quarter. The decrease in profit before tax by RM1.09 million is mainly due to a decrease in export of electricity by 20% and EFB oil sales volume by 16%.

3. Commentary on prospects

Barring any weather abnormalities, the Board expects a satisfactory result from Plantation and Oil Mill for the rest of 2017. The Board also expects its Power Plant division to achieve a better performance in the following quarter in view of the completion of the scheduled maintenance in the current quarter.

4. Profit forecast

Not applicable as there was no profit forecast published.

5. Profit/(Loss) before taxation

This is arrived at after crediting/ (charging):

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.9.2017 (Unaudited) RM'000	30.9.2016 (Unaudited) RM'000	30.9.2017 (Unaudited) RM'000	30.9.2016 (Unaudited) RM'000
Gain/(Loss) on disposal of plant and equipment	(16)	32	653	86
Interest income	2,109	1,809	6,275	5,454
Interest expense	(1,944)	(2,342)	(5,758)	(7,021)
Depreciation and amortisation	(3,991)	(3,618)	(11,821)	(11,316)
Dividend	-	-	1	1
Realised gain/(loss) on foreign exchange	-	68	-	68
Unrealised (loss)/gain on foreign exchange	23	22	72	(37)
Impairment loss on investment in securities	-	(58)	-	(58)
Property, plant and equipment written off	-	-	-	(39)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

6. Income tax expense

Taxation is provided at the prevailing statutory rate based on the operating profit for the quarter as follows.

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.9.2017 (Unaudited) RM'000	30.9.2016 (Unaudited) RM'000	30.9.2017 (Unaudited) RM'000	30.9.2016 (Unaudited) RM'000
Current tax:				
-Malaysian income tax	3,515	3,729	10,136	5,831
-Under/(over) provision of tax	230	(3)	230	(3)
	<u>3,745</u>	<u>3,726</u>	<u>10,366</u>	<u>5,828</u>
Deferred tax				
- relating to origination and reversal of temporary differences	(195)	530	(41)	78
- under/(over) provision of tax	(382)	-	(443)	(214)
	<u>(577)</u>	<u>530</u>	<u>(484)</u>	<u>(136)</u>
Total income tax expense	<u>3,168</u>	<u>4,256</u>	<u>9,882</u>	<u>5,692</u>

The Group's effective tax rate for the current quarter and the financial period under review was higher than the statutory tax rate of 24% principally due to certain expenses was disallowed for tax purposes.

7. Corporate proposal

There was no corporate proposal for the current quarter under review.

8. Borrowings

The total borrowings incurred by the Group and outstanding as at end of the current quarter are as follows

	Current quarter 3 months ended	
	30.9.2017 (Unaudited) RM'000	31.12.2016 (Audited) RM'000
<b>Short term borrowings</b>		
Secured:		
Term loans	21,575	20,288
Short term revolving credits	64,300	65,500
Unsecured:		
Short term revolving credits	1,100	1,100
	<u>86,975</u>	<u>86,888</u>
<b>Long term borrowings</b>		
Secured:		
Term loans	70,892	86,747
	<u>70,892</u>	<u>86,747</u>
<b>Total borrowings</b>		
Secured:		
Term loans	92,467	107,035
Short term revolving credits	64,300	65,500
Unsecured:		
Short term revolving credits	1,100	1,100
	<u>157,867</u>	<u>173,635</u>



9. Trade and Other Receivables

	As at	
	30.9.2017 (Unaudited) RM'000	31.12.2016 (Audited) RM'000
<b>Current</b>		
Trade receivables:		
- Non-related parties	17,437	14,747
-Amount due from customer on service concession	5,509	5,510
	22,946	20,257
Less: Allowance for doubtful debts	(343)	(343)
	22,603	19,914
Other receivables, net	5,863	6,675
	28,466	26,589
<b>Non-current</b>		
Trade receivables:		
-Amount due from customer on service concession	154,499	149,501

The credit period of trade receivables is generally for a period of one month.

The ageing analysis of trade receivables is as follows:

	As at	
	30.9.2017 (Unaudited) RM'000	31.12.2016 (Audited) RM'000
Neither past due nor impaired	176,345	169,395
1 - 30 days past due not impaired	-	-
31 - 60 days past due not impaired	82	20
61- 90 days past due not impaired	47	-
More than 90 days past due not impaired	628	-
	177,102	169,415
Impaired	343	343
	177,445	169,758

## 10. Disclosure of derivatives

The Group did not enter into any derivative contract and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 September 2017.

## 11. Changes in material litigation

- a) Suara Baru Sdn Bhd. (“SESB”) vs. Borhill Estates Sdn Bhd (“BESB”) (Suit No. SDK-22NCvC-39/11-2014)

The Company’s subsidiary, SESB had commenced legal proceedings against BESB in the Sessions Court at Sandakan vide Suit No. SDK-A 52-63/7-2013 (“Suit”) on 19 July 2013 to claim for the sum of RM115,169.66, being the amount due and owing by BESB to SBSB in respect of block stones and crusher run A stones (“Stones”) supplied by SBSB to BESB. In defending the Suit, BESB contends, among others, that the Stones supplied by SBSB did not fit the description of stones ordered by BESB, were not of merchantable quality, and were not fit for the purpose they were ordered for. BESB has also filed a counterclaim against SBSB, among others, a sum of RM5,612,850 in respect of BESB’s purported loss of profit allegedly caused by SBSB’s alleged breach. The Suit was subsequently transferred to the High Court of Sabah and Sarawak at Sandakan on 13 October 2014 and registered as Sui No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The trial commenced from 1 August 2016 to 5 August 2016 and was adjourned to 7 November 2016 to 8 November 2016.

The Trial was concluded on 8 December 2016 and closing submission has been made on 3 February 2017 followed by a submission in reply on 20 February 2017.

On 2 May 2017, the High Court in Sabah and Sarawak at Sandakan had allowed SBSB’s claim against BESB and dismissed BESB’s counterclaim against SBSB with costs of RM100,000.00 to SBSB subject to allocatur fee of 4% of the costs. BESB had on 26 May 2017 filed an appeal to the Court of Appeal against the said decision.

The Board of Directors of the Company is of the view that the Suit will have no immediate material financial and operational impact on the Company and Group as the Company expects that pursuant to the facts of the case, the documents presently available and advice of its solicitor, the Company will be able to advance a cogent defence to BESB’s counterclaim.

## 11. Changes in material litigation (Cont'd)

- b) Yuh @ Abdul Salleh Bin Pompulu (“AYU”) Vs Suwaya Bte Buang (“SUWAYA”), Suara Baru Sdn Bhd (“SBSB”) and Cepatwawasan Group Berhad (“CGB”)

The Company’s subsidiary, CGB and its wholly owned subsidiary, SBSB have been served with a Writ of Summons issued in the High Court in Sabah and Sarawak at Sandakan vide Suit No. SDK-22NCvC-12/6-2016 (HC) on 14.06.2016. SBSB is the sub-lessee of 33 lots of land (“the land”) totalling approximately 337.949 acres situated in Sungai Sekong in the District of Sandakan, Sabah. The lands had been leased from SUWAYA to SBSB for a term of 99 years. The lease commenced in the year 1997 and expires in the year 2096. The lands had been transferred to SUWAYA by their previous 33 owners, including AYU. AYU, on his behalf and the other 32 previous owners, allege that the transfer of the land to SUWAYA was through forged documents and therefore the said transfer is null and void. AYU further alleges that as the transfer to SUWAYA is null and void, therefore the sublease by the 1st SUWAYA to SBSB is likewise null and void. AYU therefore seeks an order of the High Court to set aside the said transfer to the SUWAYA and also the sub-lease to SBSB.

SBSB and CGB had filed their Defence (“Defence”) in the High Court in Sabah and Sarawak at Sandakan on 11 July 2016 and followed by an application in the High Court in Sabah and Sarawak at Sandakan on 26th August 2016 to strike out the Suit on the ground that the Suit is frivolous or vexatious or is otherwise an abuse of the process of the Court.

The striking out application came up for hearing on 26th September 2016 where the Court directed the parties to file their respective written submissions and the Court will give its decision on the said application on 24th November 2016. On 1 December 2016, the application to strike out was dismissed by the High Court in Sabah and Sarawak at Sandakan (“Sandakan High Court”) with costs, on the ground that it was not a proper case to be disposed of by way of affidavit evidence and the Suit is fixed for trial on 17 April 2017 to 21 April 2017 before the Sandakan High Court.

On 28 December 2016, SB filed an appeal to the Court of Appeal against the decision of the High Court. The Court of Appeal has fixed the appeal to be heard on 17 November 2017.

The Board of Directors of the Company is of the view that the Suit will have no immediate material financial and operational impact on the Group as the Group expects that pursuant to the facts of the case, the documents presently available and the advice of its solicitors, the Group has a good defence against the Plaintiff’s claim.

## 12. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 September 2017 (30 September 2016: Nil).

### 13. Earnings per share

#### a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 196,543,970 (2013 – 196,543,970) in issue during the financial period.

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2017 (Unaudited) RM'000	30.9.2016 (Unaudited) RM'000	30.9.2017 (Unaudited) RM'000	30.9.2016 (Unaudited) RM'000
Profit/(Loss) attributable to the owners of the Company	5,083	5,800	14,237	7,508
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	2.59	2.95	7.24	3.82

#### b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share have not been presented.

### 14. Breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 30.9. 2017 RM' 000	As at 31.12.2016 RM' 000
Total retained profits of the Company and its subsidiaries		
- Realised	194,204	172,403
- Unrealised	30,229	26,937
	224,433	199,340
Consolidation adjustments	2,656	16,460
Total group retained profits as per consolidation accounts	227,089	215,800

15. Authorisation for issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 2 November 2017.